

# OPEN MEETING

## MEMORANDUM



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RECEIVED

TO: THE COMMISSION

2014 MAR 28 P 2:23

FROM: Utilities Division

ORIGINAL

AZ CORP COMMISSION  
DOCKET CONTROL

DATE: March 28, 2014

RE: TUCSON ELECTRIC POWER COMPANY - APPLICATION FOR  
AUTHORIZATION FOR PPFAC RATE ADJUSTMENT  
(DOCKET NO. E-01933A-12-0291)

On October 31, 2013, Tucson Electric Power Company ("TEP") filed its Preliminary Calculation of the Purchased Power and Fuel Adjustment Clause ("PPFAC") rate, pursuant to Decision No. 73912 (June 6, 2013). On February 3, 2014, TEP filed its updated calculations and a request for authorization for a PPFAC rate adjustment. On March 25, 2014, TEP filed revised calculations.

The PPFAC consists of a Forward Component and a True-up Component. The Forward Component consists of the forecasted fuel and purchased power costs for the year commencing on April 1 and ending on March 31 of the ensuing year, less the average Base Cost of Fuel and Purchased Power reflected in base rates (\$0.032335 per kWh). The True-up Component reconciles any over-recovered or under-recovered amounts from the preceding PPFAC year to be credited to, or recovered from, customers in the next PPFAC year.

Decision No. 73912 requires TEP to file the PPFAC rate for the upcoming year by October 31 of each year and an update to the filing by February 1 of the next year. The new rate goes into effect on April 1, but only after Commission approval. In its revised filing, TEP requested the new rate to be effective on April 10, 2014.

The PPFAC rate charged to TEP customers is currently set at negative \$0.001388 per kWh, and TEP has calculated a new corrected rate of \$0.002727 per kWh (consisting of a Forward Component rate of \$0.000962 per kWh and a True-up Component rate of \$0.001765 per kWh) for 12 months starting in April 2014. However, to mitigate the rate impact, TEP has proposed a two-step increase. The rate would be \$0.001985 per kWh starting April 10, 2014, and \$0.003945 per kWh starting October 1, 2014.

Under TEP's proposal, the Forward Component rate would be set at \$0.000220 per kWh and the True-up Component rate would be set at \$0.001765 per kWh, resulting in a PPFAC rate of \$0.001985 per kWh for the period of April 10, 2014, through September 30, 2014.

Arizona Corporation Commission

DOCKETED

MAR 28 2014

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Also under TEP's proposal, the Forward Component rate would be set at \$0.002180 per kWh and the True-up Component rate would be set at \$0.001765 per kWh, resulting in a PPFAC rate of \$0.003945 per kWh for the period of October 1, 2014 through March 31, 2015.

Staff has reviewed the revised filing along with TEP's assumptions used in developing its forecast of fuel and purchased power expenses and finds the forecast to be reasonable. However, to further mitigate the rate impact, Staff proposes that the rate be set at \$0.001000 per kWh starting May 1, 2014, and \$0.005000 per kWh starting October 1, 2014. The bill impacts on residential customers of the one-step rate and the TEP and Staff two-step proposals are shown in the following table.

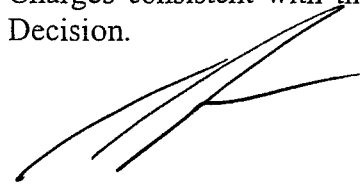
<i>current PPFAC rate = (0.001388) per kWh</i>	Plan of Administration Calculation	TEP's Two-Step Proposal	Staff's Two-Step Proposal
	<b>Apr. 2014-Sep. 2014</b>	<b>Apr. 2014-Sep. 2014</b>	<b>May 2014-Sep. 2014</b>
PPFAC rate	\$0.002727 per kWh	\$0.001985 per kWh	\$0.001000 per kWh
Average kWh usage	933 kWh	933 kWh	933 kWh
Bill impact	\$3.84 per month	\$3.15 per month	\$2.23 per month
Average monthly bill	\$102.50	\$101.81	\$100.89
	<b>Oct. 2014-Mar. 2015</b>	<b>Oct. 2014-Mar. 2015</b>	<b>Oct. 2014-Mar. 2015</b>
PPFAC rate	\$0.002727 per kWh	\$0.003945 per kWh	\$0.005000 per kWh
Average kWh usage	640 kWh	640 kWh	640 kWh
Bill impact	\$2.63 per month	\$3.41 per month	\$4.09 per month
Average monthly bill	\$69.15	\$69.93	\$70.60

Staff recommends that the Forward Component rate be set at negative \$0.000765 per kWh and the True-up Component rate be set at \$0.001765 per kWh, resulting in a PPFAC rate of \$0.001000 per kWh for the period of May 1, 2014, through September 30, 2014.

Staff also recommends that the Forward Component rate be set at \$0.003235 per kWh and the True-up Component rate would be set at \$0.001765 per kWh, resulting in a PPFAC rate of \$0.005000 per kWh for the period of October 1, 2014 through March 31, 2015.

Staff further recommends that TEP provide notice (in a form acceptable to Staff) of the rate increase to customers with the bill where the rate increase first appears.

In addition, Staff recommends that TEP file in Docket Control a revised Statement of Charges consistent with the Decision in this case within 15 days of the effective date of the Decision.

A handwritten signature in black ink, consisting of several overlapping, sweeping strokes that form a stylized representation of the name 'Steven M. Olea'.

Steven M. Olea  
Director  
Utilities Division

SMO:BEK:tdp\RRM

ORIGINATOR: Barbara Keene

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 BOB STUMP

Chairman

3 GARY PIERCE

Commissioner

4 BRENDA BURNS

Commissioner

5 BOB BURNS

Commissioner

6 SUSAN BITTER SMITH

Commissioner

7  
8 IN THE MATTER OF THE APPLICATION )  
9 OF TUCSON ELECTRIC POWER )  
10 COMPANY FOR AUTHORIZATION FOR )  
11 PPFAC RATE ADJUSTMENT. )  
12  
13

DOCKET NO. E-01933A-12-0291

DECISION NO. \_\_\_\_\_

ORDER

14 Open Meeting  
15 Future date to be determined  
16 Phoenix, Arizona

17 BY THE COMMISSION:

18 FINDINGS OF FACT

19 1. Tucson Electric Power Company ("TEP") is certificated to provide electric service  
20 as a public service corporation in the State of Arizona.

21 2. On October 31, 2013, TEP filed its Preliminary Calculation of the Purchased Power  
22 and Fuel Adjustment Clause ("PPFAC") rate, pursuant to Decision No. 73912 (June 27, 2013). On  
23 February 3, 2014, TEP filed its updated calculations and a request for authorization for a PPFAC  
24 rate adjustment. On March 25, 2014, TEP filed revised calculations.

25 3. The PPFAC consists of a Forward Component and a True-up Component. The  
26 Forward Component consists of the forecasted fuel and purchased power costs for the year  
27 commencing on April 1 and ending on March 31 of the ensuing year, less the average Base Cost of  
28 Fuel and Purchased Power reflected in base rates (\$0.032335 per kWh). The True-up Component

1 reconciles any over-recovered or under-recovered amounts from the preceding PPFAC year to be  
2 credited to, or recovered from, customers in the next PPFAC year.

3 4. Decision No. 73912 requires TEP to file the PPFAC rate for the upcoming year by  
4 October 31 of each year and an update to the filing by February 1 of the next year. The new rate  
5 goes into effect on April 1, but only after Commission approval. In its revised filing, TEP  
6 requested the new rate to be effective on April 10, 2014.

7 5. The PPFAC rate charged to TEP customers is currently set at negative \$0.001388  
8 per kWh, and TEP has calculated a new corrected rate of \$0.002727 per kWh (consisting of a  
9 Forward Component rate of \$0.000962 per kWh and a True-up Component rate of \$0.001765 per  
10 kWh) for 12 months starting in April 2014. However, to mitigate the rate impact, TEP has  
11 proposed a two-step increase. The rate would be \$0.001985 per kWh starting April 10, 2014, and  
12 \$0.003945 per kWh starting October 1, 2014.

13 6. Under TEP's proposal, the Forward Component rate would be set at \$0.000220 per  
14 kWh and the True-up Component rate would be set at \$0.001765 per kWh, resulting in a PPFAC  
15 rate of \$0.001985 per kWh for the period of April 10, 2014, through September 30, 2014.

16 7. Also under TEP's proposal, the Forward Component rate would be set at \$0.002180  
17 per kWh and the True-up Component rate would be set at \$0.001765 per kWh, resulting in a  
18 PPFAC rate of \$0.003945 per kWh for the period of October 1, 2014 through March 31, 2015.

19 8. Staff has reviewed the revised filing along with TEP's assumptions used in  
20 developing its forecast of fuel and purchased power expenses and finds the forecast to be  
21 reasonable. However, to further mitigate the rate impact, Staff proposes that the rate be set at  
22 \$0.001000 per kWh starting May 1, 2014, and \$0.005000 per kWh starting October 1, 2014.

23 9. The bill impacts on residential customers of the one-step rate and the TEP and Staff  
24 two-step proposals are shown in the following table.

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27 ...

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<i>current PPFAC rate = (0.001388) per kWh</i>	Plan of Administration Calculation	TEP's Two-Step Proposal	Staff's Two-Step Proposal
	<b>Apr. 2014-Sep. 2014</b>	<b>Apr. 2014-Sep. 2014</b>	<b>May 2014-Sep. 2014</b>
PPFAC rate	\$0.002727 per kWh	\$0.001985 per kWh	\$0.001000 per kWh
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Bill impact	\$2.63 per month	\$3.41 per month	\$4.09 per month
Average monthly bill	\$69.15	\$69.93	\$70.60

10. Staff has recommended that the Forward Component rate be set at negative \$0.000765 per kWh and the True-up Component rate be set at \$0.001765 per kWh, resulting in a PPFAC rate of \$0.001000 per kWh for the period of May 1, 2014, through September 30, 2014.

11. Staff has also recommended that the Forward Component rate be set at \$0.003235 per kWh and the True-up Component rate would be set at \$0.001765 per kWh, resulting in a PPFAC rate of \$0.005000 per kWh for the period of October 1, 2014 through March 31, 2015.

12. Staff has further recommended that TEP provide notice (in a form acceptable to Staff) of the rate increase to customers with the bill where the rate increase first appears.

13. In addition, Staff has recommended that TEP file in Docket Control a revised Statement of Charges consistent with the Decision in this case within 15 days of the effective date of the Decision.

#### CONCLUSIONS OF LAW

1. TEP is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over TEP and over the subject matter of the application.

3. The Commission, having reviewed TEP's application and Staff's Memorandum dated March 28, 2014, concludes that it is in the public interest that TEP's PPFAC rate be set as discussed herein.

...

ORDER

IT IS THEREFORE ORDERED that Tucson Electric Power's Forward Component rate be set at negative \$0.000765 per kWh and the True-up Component rate be set at \$0.001765 per kWh, resulting in a PPFAC rate of \$0.001000 per kWh for the period of May 1, 2014 through September 30, 2014.

IT IS FURTHER ORDERED that Tucson Electric Power's Forward Component rate be set at \$0.003235 per kWh and the True-up Component rate be set at \$0.001765 per kWh, resulting in a PPFAC rate of \$0.005000 per kWh for the period of October 1, 2014 through March 31, 2015 or until further order of the Commission.

IT IS FURTHER ORDERED that Tucson Electric Power shall provide notice (in a form acceptable to Staff) of the rate increase to customers with the bill where the rate increase first appears.

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1 IT IS FURTHER ORDERED that Tucson Electric Power shall file in Docket Control a  
2 revised Statement of Charges consistent with the Decision in this case within 15 days of the  
3 effective date of the Decision.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5  
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

7  
8 \_\_\_\_\_  
CHAIRMAN

COMMISSIONER

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10  
11 COMMISSIONER

COMMISSIONER

COMMISSIONER

12  
13 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
14 Director of the Arizona Corporation Commission, have  
15 hereunto, set my hand and caused the official seal of this  
16 Commission to be affixed at the Capitol, in the City of  
17 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

18 \_\_\_\_\_  
JODI JERICH  
19 EXECUTIVE DIRECTOR

20 DISSENT: \_\_\_\_\_

21  
22 DISSENT: \_\_\_\_\_

23 SMO:BEK:tdp/RRM  
24  
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SERVICE LIST FOR: TUCSON ELECTRIC POWER COMPANY  
DOCKET NO. E-01933A-12-0291

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